

FIRST FINANCIAL BANCORP /OH/

Form 10-Q

November 06, 2015

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FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended

September 30, 2015

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34762

FIRST FINANCIAL BANCORP.

(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of  
incorporation or organization)

31-1042001  
(I.R.S. Employer  
Identification No.)

255 East Fifth Street, Suite 700  
Cincinnati, Ohio  
(Address of principal executive offices)

45202  
(Zip Code)

Registrant's telephone number, including area code (877) 322-9530

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 5, 2015
Common stock, No par value	61,644,723

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## Glossary of Abbreviations and Acronyms

First Financial Bancorp has identified the following list of abbreviations and acronyms that are used in the Notes to Consolidated Financial Statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations.

the Act	Private Securities Litigation Reform Act	FDIC	Federal Deposit Insurance Corporation
ALLL	Allowance for loan and lease losses	FHLB	Federal Home Loan Bank
ASC	Accounting standards codification	First Financial	First Financial Bancorp.
ASU	Accounting standards update	First Financial Bank	First Financial Bank, N.A.
ATM	Automated teller machine	Form 10-K	First Financial Bancorp. Annual Report on Form 10-K
Bank	First Financial Bank, N.A.	GAAP	U.S. Generally Accepted Accounting Principles
Basel III	Basel Committee regulatory capital reforms, Third Basel Accord	IRLC	Interest Rate Lock Commitment
BP	basis point	N/A	Not applicable
CDs	certificates of deposits	NII	Net interest income
Company	First Financial Bancorp.	Oak Street	Oak Street Holdings Corporation
ERM	Enterprise Risk Management	OREO	Other real estate owned
EVE	Economic value of equity	SEC	United States Securities and Exchange Commission
FASB	Financial Accounting Standards Board	TDR	Troubled debt restructuring

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PART I - FINANCIAL INFORMATION  
ITEM I - FINANCIAL STATEMENTS  
FIRST FINANCIAL BANCORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and due from banks	\$112,298	\$110,122
Interest-bearing deposits with other banks	24,191	22,630
Investment securities available-for-sale, at market value (cost \$1,071,558 at September 30, 2015 and \$849,504 at December 31, 2014)	1,069,667	840,468
Investment securities held-to-maturity (market value \$770,512 at September 30, 2015 and \$874,749 at December 31, 2014)	756,035	867,996
Other investments	53,431	52,626
Loans held for sale	26,287	11,005
Loans and leases		
Commercial	1,637,467	1,315,114
Real estate-construction	276,240	197,571
Real estate-commercial	2,169,662	2,140,667
Real estate-residential	506,653	501,894
Installment	39,974	47,320
Home equity	463,629	458,627
Credit card	39,759	38,475
Lease financing	82,679	77,567
Total loans and leases	5,216,063	4,777,235
Less: Allowance for loan and lease losses	53,332	52,858
Net loans and leases	5,162,731	4,724,377
Premises and equipment	139,020	141,381
Goodwill and other intangibles	211,732	145,853
FDIC indemnification asset	18,931	22,666
Accrued interest and other assets	306,210	278,697
Total assets	\$7,880,533	\$7,217,821
Liabilities		
Deposits		
Interest-bearing	\$1,330,673	\$1,225,378
Savings	1,979,627	1,889,473
Time	1,440,223	1,255,364
Total interest-bearing deposits	4,750,523	4,370,215
Noninterest-bearing	1,330,905	1,285,527
Total deposits	6,081,428	5,655,742
Federal funds purchased and securities sold under agreements to repurchase	62,317	103,192
Federal Home Loan Bank short-term borrowings	701,200	558,200
Total short-term borrowings	763,517	661,392
Long-term debt	119,515	48,241
Total borrowed funds	883,032	709,633

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Accrued interest and other liabilities	103,061	68,369
Total liabilities	7,067,521	6,433,744
Shareholders' equity		
Common stock - no par value		
Authorized - 160,000,000 shares; Issued - 68,730,731 shares in 2015 and 2014	570,025	574,643
Retained earnings	378,258	352,893
Accumulated other comprehensive loss	(17,219)	) (21,409 )
Treasury stock, at cost, 7,017,098 shares in 2015 and 7,274,184 shares in 2014	(118,052)	) (122,050 )
Total shareholders' equity	813,012	784,077
Total liabilities and shareholders' equity	\$7,880,533	\$7,217,821

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Interest income				
Loans, including fees	\$58,694	\$53,725	\$167,744	\$151,749
Investment securities				
Taxable	9,986	10,227	28,875	31,019
Tax-exempt	1,163	894	3,419	2,500
Total interest on investment securities	11,149	11,121	32,294	33,519
Other earning assets	(1,168)	(1,455)	(3,511)	(4,162)
Total interest income	68,675	63,391	196,527	181,106
Interest expense				
Deposits	4,861	4,218	14,302	11,140
Short-term borrowings	374	354	930	975
Long-term borrowings	281	456	876	1,505
Total interest expense	5,516	5,028	16,108	13,620
Net interest income	63,159	58,363	180,419	167,486
Provision for loan and lease losses	2,647	893	7,777	(524)
Net interest income after provision for loan and lease losses	60,512	57,470	172,642	168,010
Noninterest income				
Service charges on deposit accounts	4,934	5,263	14,260	15,172
Trust and wealth management fees	3,134	3,207	10,042	10,258
Bankcard income	2,909	2,859	8,501	8,101
Net gains from sales of loans	1,758	1,660	5,146	2,793
Net gains on sales of investment securities	409	0	1,503	50
FDIC loss sharing income	(973)	(192)	(2,323)	408
Accelerated discount on covered/formerly covered loans	3,820	789	10,006	2,425
Other	4,364	2,925	12,248	7,816
Total noninterest income	20,355	16,511	59,383	47,023
Noninterest expenses				
Salaries and employee benefits	27,768	28,686	82,160	79,562
Net occupancy	4,510	4,577	13,895	14,381
Furniture and equipment	2,165	2,265	6,537	6,325
Data processing	2,591	4,393	8,020	10,021
Marketing	810	939	2,671	2,555
Communication	531	541	1,659	1,726
Professional services	4,092	1,568	7,789	4,741
State intangible tax	579	648	1,733	1,936
FDIC assessments	1,103	1,126	3,307	3,334
Loss (gain) - other real estate owned	196	(589)	1,089	573
Loss sharing expense	574	1,002	1,451	4,036
Other	8,073	6,263	19,535	17,182

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Total noninterest expenses	52,992	51,419	149,846	146,372
Income before income taxes	27,875	22,562	82,179	68,661
Income tax expense	9,202	7,218	26,936	22,260
Net income	\$18,673	\$15,344	\$55,243	\$46,401
Net earnings per common share - basic	\$0.31	\$0.26	\$0.90	\$0.80
Net earnings per common share - diluted	\$0.30	\$0.26	\$0.89	\$0.79
Cash dividends declared per share	\$0.16	\$0.15	\$0.48	\$0.45
Average common shares outstanding - basic	61,135,749	59,403,109	61,088,794	57,907,203
Average common shares outstanding - diluted	61,987,795	60,112,932	61,858,724	58,639,394

See Notes to Consolidated Financial Statements.



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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$18,673	\$15,344	\$55,243	\$46,401
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on investment securities arising during the period	3,057	(256	) 4,287	10,077
Change in retirement obligation	220	189	624	663
Unrealized gain (loss) on derivatives	128	760	(771	) (334
Unrealized gain (loss) on foreign currency exchange	91	(12	) 50	(13
Other comprehensive income (loss)	3,496	681	4,190	10,393
Comprehensive income	\$22,169	\$16,025	\$59,433	\$56,794

See Notes to Consolidated Financial Statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Dollars in thousands except per share data)  
(Unaudited)

	Common Stock	Common Stock	Retained	Accumulated other comprehensive	Treasury stock		Total
	Shares	Amount	Earnings	income (loss)	Shares	Amount	
Balance at January 1, 2014	68,730,731	\$577,076	\$324,192	\$ (31,281 )	(11,197,685)	\$(187,826)	\$682,161
Net income			46,401				46,401
Other comprehensive income (loss)				10,393			10,393
Cash dividends declared:							
Common stock at \$0.45 per share			(26,475 )				(26,475 )
Purchase of common stock					(40,255 )	(697 )	(697 )
Common stock issued in connection with business combinations		(946 )			3,657,937	61,375	60,429
Excess tax benefit on share-based compensation		149					149
Exercise of stock options, net of shares purchased		(771 )			36,830	616	(155 )
Restricted stock awards, net of forfeitures		(4,191 )			180,915	3,005	(1,186 )
Share-based compensation expense		2,892					2,892
Balance at September 30, 2014	68,730,731	\$574,209	\$344,118	\$ (20,888 )	(7,362,258 )	\$(123,527)	\$773,912
Balance at January 1, 2015	68,730,731	\$574,643	\$352,587	\$ (21,409 )	(7,274,184 )	\$(122,050)	\$783,771
Net income			55,243				55,243
Other comprehensive income (loss)				4,190			4,190
Cash dividends declared:							
Common stock at \$0.48 per share			(29,572 )				(29,572 )
Purchase of common stock					(148,935 )	(2,783 )	(2,783 )
Warrant Exercises		(645 )			39,217	658	13

Excess tax benefit on  
share-based  
compensation